Medicaid Reform
Public Input Meetings

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OUTLINE

1. Presentation (30 minutes)
   a. Overview of Medicaid
   b. Motivation for Medicaid reform
   c. Overview of Medicaid Reform: LB 709
   d. Preliminary Findings and Recommendations

2. Public Input (90 minutes)

The Medicaid Program

Medicaid is a state-federal partnership administered as a welfare entitlement program within broadly established federal guidelines under Title XIX of the federal Social Security Act.

The cost of the program is shared by state and federal government (approximately 60% federal, and 40% state).

Nebraska has also established a Children's Health Insurance Program as a Medicaid expansion under Title XXI of the federal Social Security Act.

The Medicaid Program

The state establishes its own eligibility standards, determines covered services and service limits, sets payment rates for services, and administers the program on a day-to-day basis.

Core federal requirements apply to all state Medicaid programs.

Medicaid coverage includes both federally mandated and state optional services and eligibility categories.

Portions of federal Medicaid authorizing legislation may be “waived” to provide states with greater Medicaid flexibility.

The Medicaid Program

Elements of the “Medicaid state plan” must be approved by the federal Centers for Medicare and Medicaid Services (CMS).

The “state plan” is a comprehensive written document developed with CMS that describes the nature and scope of the state’s Medicaid program, and gives assurances that the state will administer the program in compliance with federal requirements.

The Medicaid Program

1. A chronic and long-term care program for low income seniors and persons with disabilities
2. A supplement to Medicare for this same population
3. An insurance-like program for low income pregnant women, children and some parents
4. A funding source for safety net hospitals and community health centers that serve a disproportionately high share of uninsured persons.

The Medicaid Program

Medicaid in Nebraska is shaped by the complex interaction of four interrelated elements: (1) eligibility, (2) services, (3) reimbursement, and (4) administration.

Medicaid program costs are affected by (1) caseload (determined by eligibility criteria), (2) utilization (determined by services covered and service limits), and (3) unit price (determined by provider reimbursement rates).

The Medicaid Program

The majority of Medicaid beneficiaries in FY 05 were children and pregnant women (64.5%), but the majority of Medicaid expenditures (66.7%) were made on behalf of the elderly and disabled.

The highest Medicaid expenditures in FY 05 were for nursing home care, inpatient hospital services, and prescription drugs. Total Medicaid long-term care expenditures were 36.3% of the Medicaid budget.

Source: Nebraska Health and Human Services System

Motivation for Medicaid Reform

- Human realities
- Demographic realities
- Fiscal realities
- Program realities

Human Realities

Many Nebraskans have health care, long-term care, and related needs, and are unable, without assistance, to meet those needs.

Demographic Realities

More people will be requiring more health care, long-term care, and related services in the future as the population of Nebraska changes and the number of elderly Nebraskans increases.

Fiscal Realities

As more people require more services, total Medicaid General Fund appropriations will continue to grow at a rate faster than the growth in state General Fund revenues.

Program Realities

The Medicaid program as it is currently structured and operated will not effectively moderate the growth of Medicaid spending and cannot be fiscally sustained.

Medicaid Reform in Nebraska: LB 709

LB 709 requires development of a Medicaid reform plan by two persons, one appointed by Governor Dave Heineman and one appointed by Senator Jim Jensen as chair of the Legislature's Health and Human Services Committee.

Medicaid Reform Designees

1. Consult with the Governor, the Health and Human Services Committee, the HHSS Policy Cabinet, and CMS.
2. Solicit public input.
3. Conduct at least one public meeting in each congressional district.
4. Provide monthly reports to the Governor and the committee.
5. Meet monthly with the Medicaid Reform Advisory Council.
6. Develop and submit a Medicaid reform plan to the Governor and the Legislature by December 1, 2005.

Medicaid Reform Advisory Council

LB 709 establishes a Medicaid Reform Advisory Council consisting of ten persons, five appointed by the Governor and five appointed by Senator Jensen.

The council meets monthly with the designees, reviews designee monthly reports, provides input to the designees during development of the plan, and provides recommendations regarding the plan.

Health and Human Services Committee

The Health and Human Services Committee of the Legislature must conduct a public hearing on the plan by December 15, 2005.

The chair of the Health and Human Services Committee may introduce legislation in 2006 to implement the plan.

Legislative Findings

1. Medicaid is a critically important program that provides necessary health care and long-term care services for many Nebraskans.
2. Medicaid expenditures have increased significantly. As a result, the Medicaid program may become fiscally unsustainable.
3. Fundamental reform of Medicaid is necessary to ensure the future sustainability of the program for Nebraska residents.

Neb. Rev. Stat. sec. 68-1088, 68-1089

Legislative Purpose

- Reform of the medical assistance program
- Substantive recodification of Medicaid statutes
- Including the enactment of Policies to . . .
  - moderate the growth of medicaid spending
  - ensure future sustainability of the program for Nebraska residents
  - establish priorities and ensure flexibility in the allocation of Medicaid benefits
  - provide alternatives to medicaid eligibility for Nebraska residents

Neb. Rev. Stat. sec. 68-1090

Implementation of LB 709

2005

June – September	• Solicit public input. • Research and draft preliminary findings and recommendations.
October – November	• Solicit public input on findings and recommendations. • Conduct public meeting(s) in each congressional district.
December	• Submit reform plan. • Assist in preparing draft legislation to implement the plan.

Implementation Activities

Consultation

Public Input

Monthly Reports

Medicaid Reform Advisory Council

Public Meeting(s)

Medicaid Reform Plan

Where is Medicaid Reform Going?

Medicaid Reform Questions

1. Where should the attention of reform be focused?
2. How far should the reform go?
3. Where should the reform not go?
4. How can the State of Nebraska moderate the growth of Medicaid spending to ensure the sustainability of Medicaid for future generations of Nebraskans?

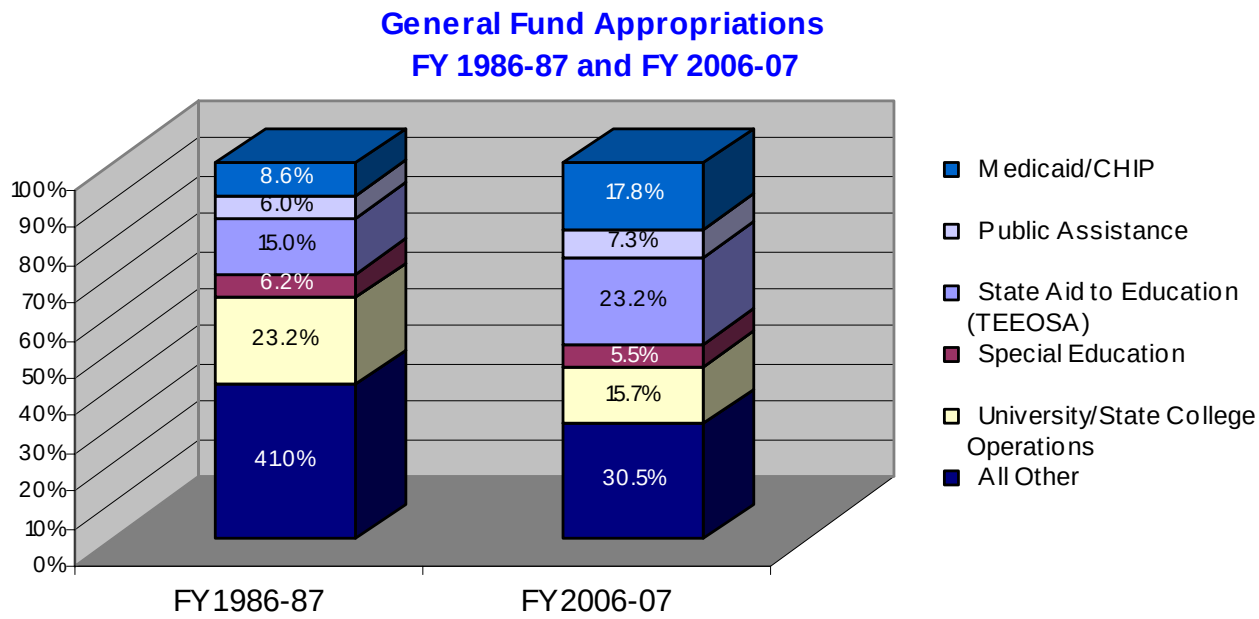
Preliminary Findings and Recommendations Summary

- Current growth is not sustainable
- State lacks a clear Medicaid public policy
- Reform may be accomplished in one of two ways
  - Modifications to the current structure (Defined Benefit)
  - Adopt a new structure (Defined Contribution)

Current Growth is not Sustainable

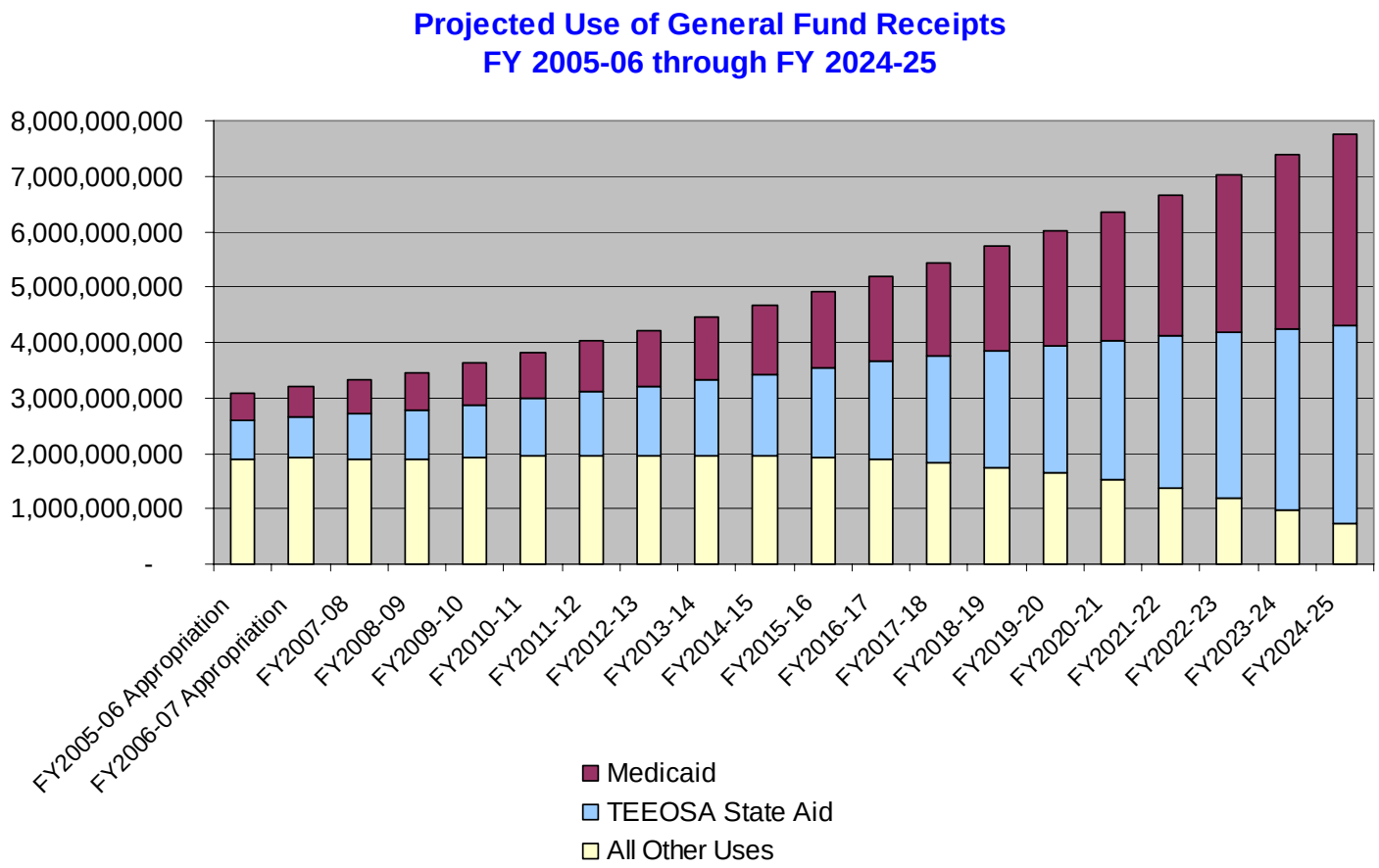
- Historical growth patterns
- Current demographic and medical inflation projections

Historical General Fund Appropriations

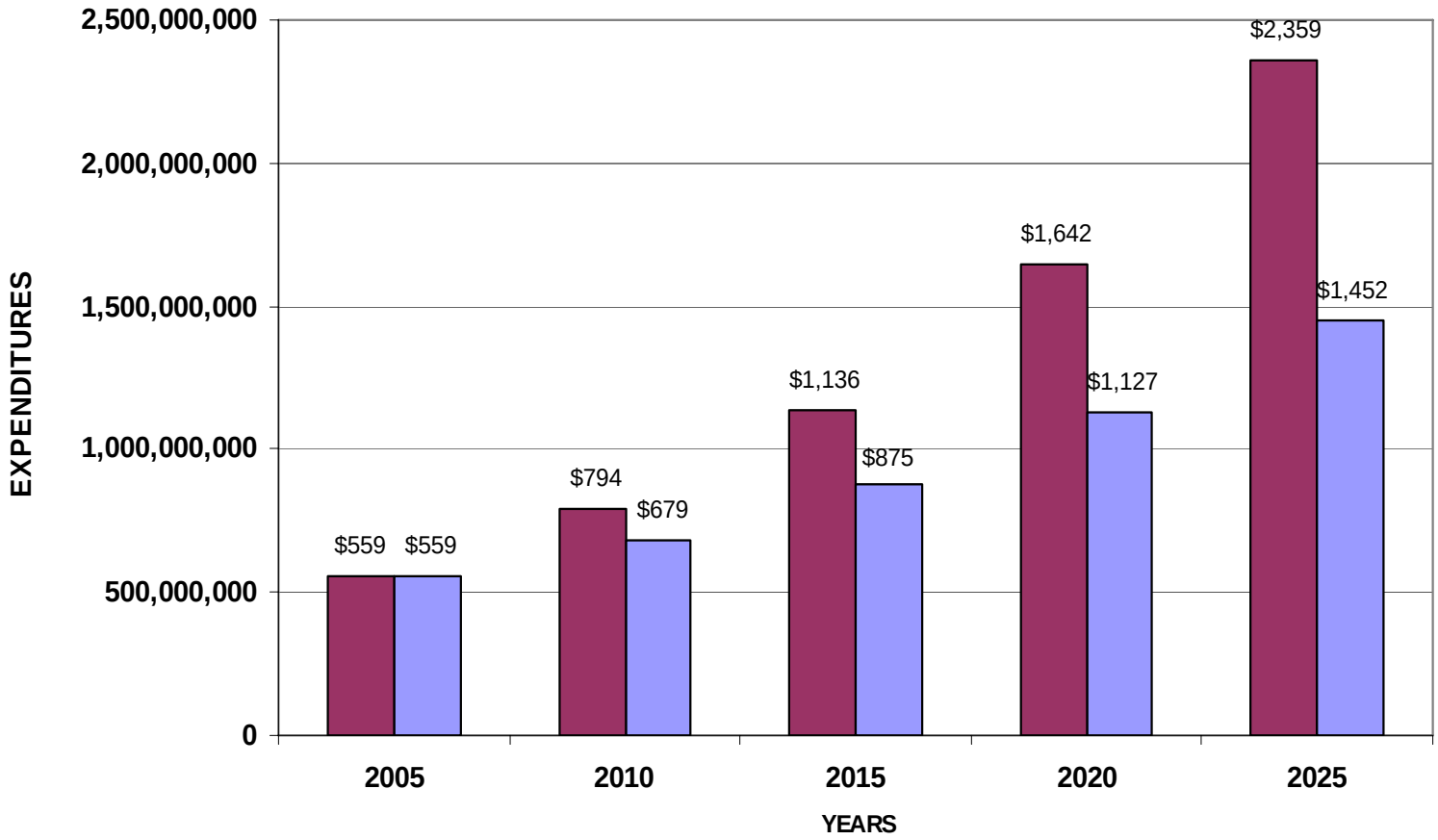


- Average annual growth since FY 1986-87 equals 6.9%
  - State Aid to Education (TEEOSA) – 9.2%
  - Special Education – 6.3%
  - Medicaid/CHIP – 10.8%
  - Public Assistance – 8.0%
  - University/State College Operations – 4.8%

General Fund Outlook



Nebraska Medicaid Expenditures in 5-year Increments
HHSS Projection vs. Appropriation Available for Medicaid
(Dollars in Millions, Percents are Average Annual Change)



Variance	2005	2010	2015	2020	2025
In Millions	$0	$115	$261	$515	$907

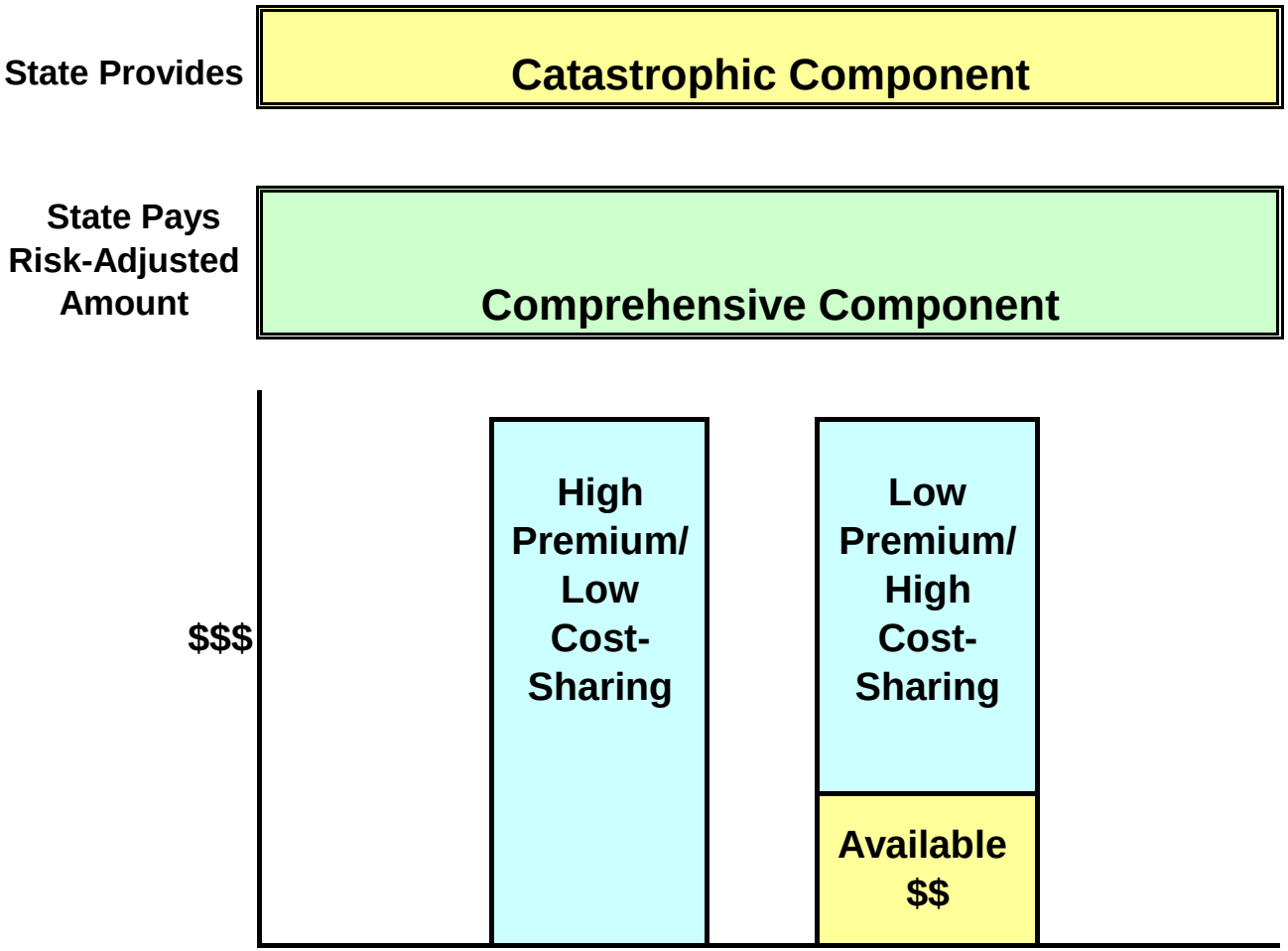
Public Policy

- What is the purpose of Medicaid?
- Who should be covered?
- What services should be covered?

Options for Reform

- Defined benefit
  - Necessary medical services are covered regardless of cost
- Defined contribution
  - Risk-adjusted amount of funds
  - Individual/family select coverage plan

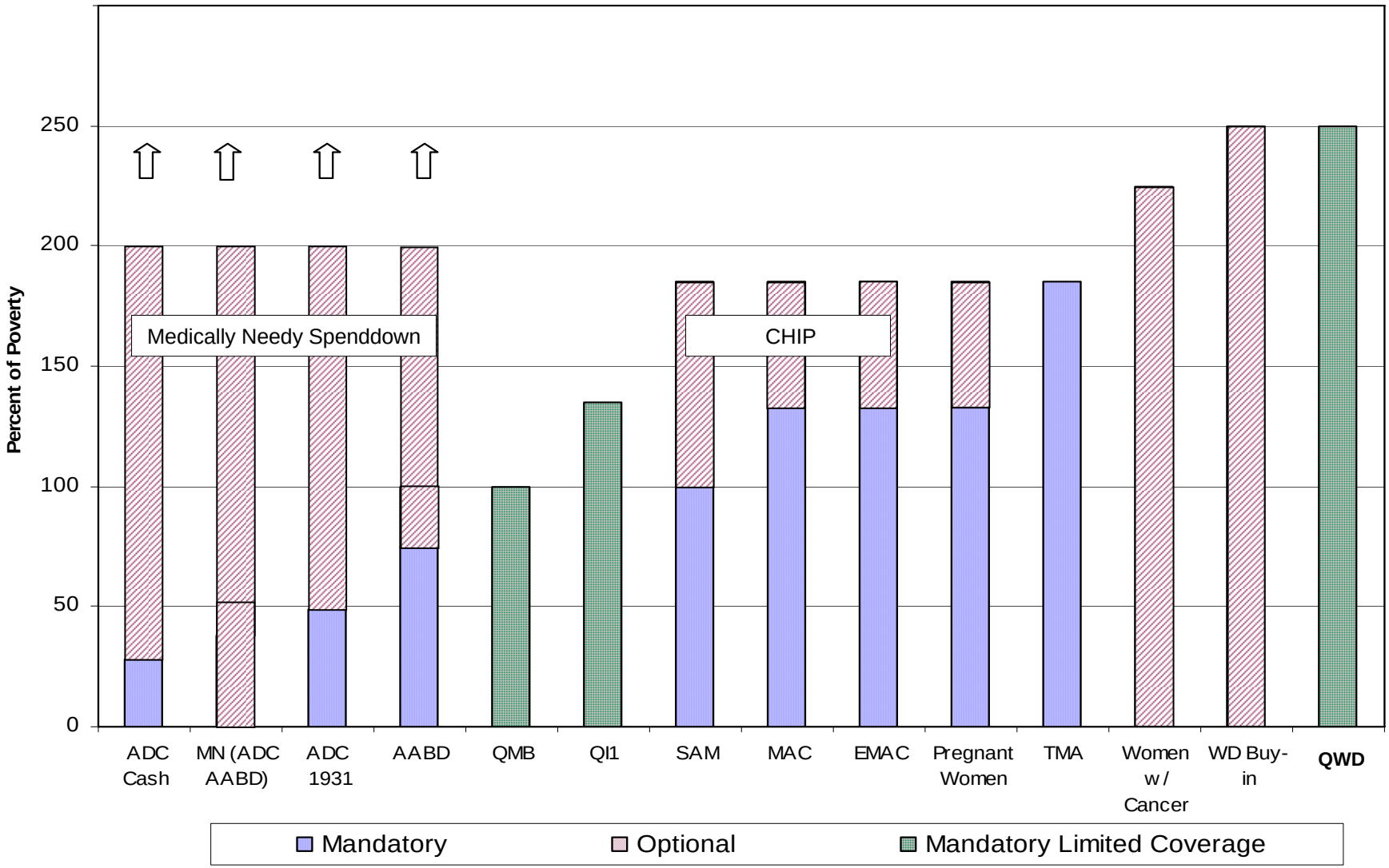
Florida Defined Contribution - Simplified



Eligibility

No Change

Medicaid Eligibility



Covered Services

(Alternatives)

- No change
- Limitations similar to private insurance
- Change CHIP to stand-alone with limitations similar to private insurance

Cost Sharing

(Alternatives)

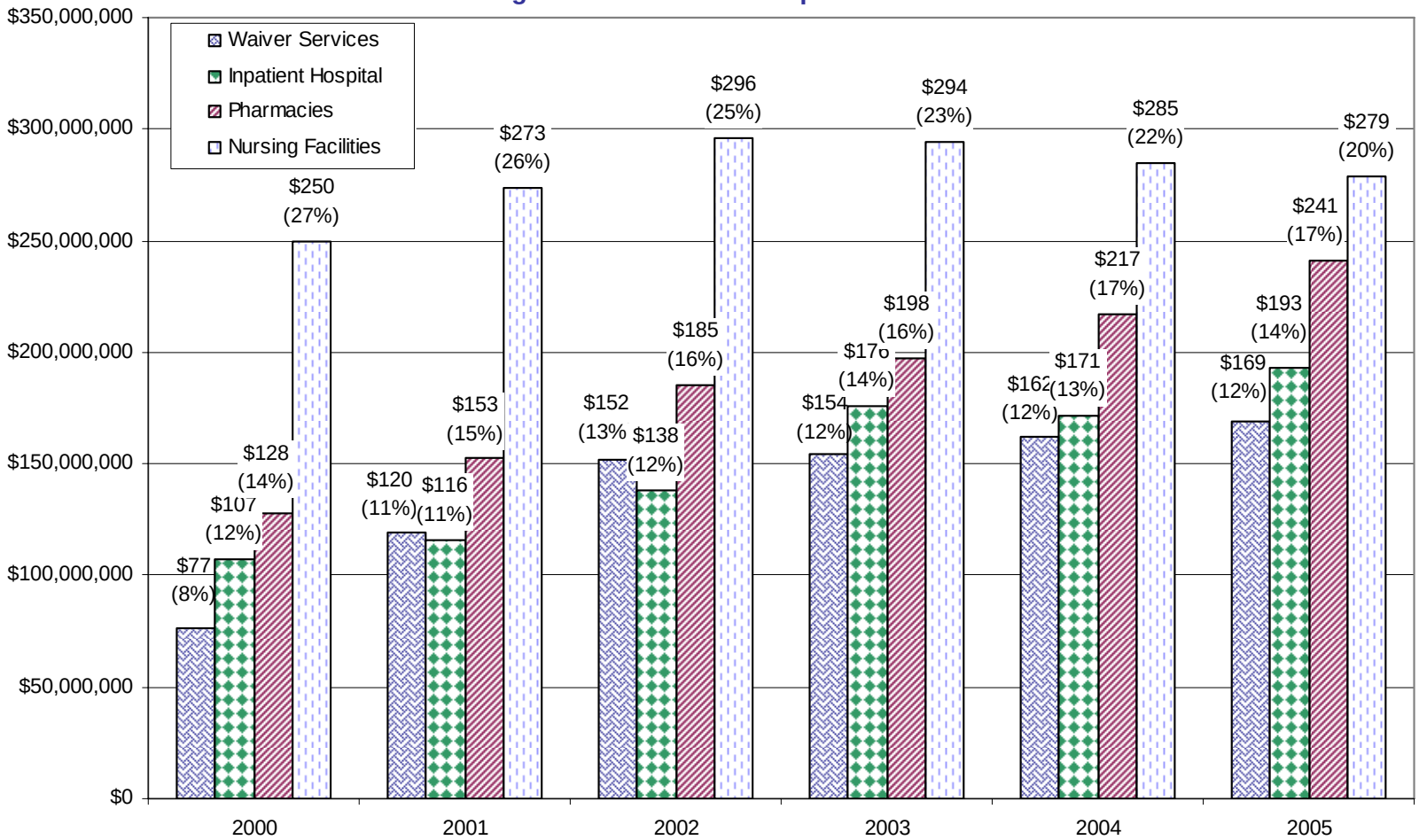
- No additional cost-sharing
- Additional cost-sharing above 100% of poverty
- Change CHIP to stand-alone with additional cost-sharing

Medicaid Cost-Drivers

- Long-term care
  - Increase use of Home and Community Based Services
- High cost individuals
  - Increase care coordination
  - Provide disease management
- Pharmacy costs
  - Provide information on Central Nervous System drugs
  - Prior authorize all new brand name drugs initially
  - Establish a formulary and preferred drug list

Nebraska Medicaid Nursing Facility, HCBS Waiver Services, Inpatient and Pharmacy Expenditures

Numbers Above Bars Represent Expenditures in Millions of Dollars and Percentage of Total Medicaid Expenditures for that Year



Alternatives To Medicaid

- Public/private partnership with small employers to provide coverage to CHIP-eligible families
- Increase the number of community health centers
- Expand availability of discount drugs through federal 340B program
- Others

For More Information:

www.hhss.ne.gov/med/reform

www.unicam.state.ne.us/committees/hhs.htm

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